

April 04, 2003

Country of Origin Labeling Program
Agricultural Marketing Service, USDA
Stop 0249, Room 2092-S
1400 Independence Avenue, SW
Washington, D.C.
20250-0249

Re: Federal Register: October 11, 2002 (Volume 67, Number 198) **Docket Number LS-02-13**

“Establishment of Guidelines of the Interim Voluntary Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities and Peanuts Under the Authority of the Agricultural Marketing Act of 1946”

The following are the comments of the Wyoming Wool Growers Association (WWGA) on the proposed guidelines for Interim Voluntary Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities and Peanuts. The Wyoming Wool Growers Association has represented the Wyoming lamb industry for nearly 100 years and the proposed guidelines are of tremendous importance to our members. We appreciate the opportunity to provide comments on the voluntary Country of Origin Labeling (COOL) guidelines.

Mandatory COOL has been supported and encouraged by the Wyoming Wool Growers Association for many years. In fact, the WWGA was one of the primary organizations which undertook the task of proposing, developing and then working for the implementation of COOL statutory requirements under Wyoming state law. When Wyoming passed its COOL law, it was only the seventh or eighth state in the nation to do so, but COOL is of such importance to the livestock producers of Wyoming that the Executive Board of the WWGA set passage of such statutes as a priority.

The WWGA believes that mandatory COOL is vital to the American consumer so that they can make informed choices. Some imported lamb product is labeled as to its country of origin and importers, processors and producers (through check-off funded programs, we might add) participate in advertising and promotion programs centered on country of origin identity of their products. We believe that highlighting our respective identities is appropriate and provides useful information to consumers. However, extreme flexibility in the interpretation of existing labeling laws and regulations has permitted imported lamb products to be minimally processed (as little as one slice

through a cut or re-wrapping) to be construed as “substantial transformation” and thus essentially allowed these products to be mislabeled as domestic. Additionally, consumers generally interpret the lack of country of origin labeling as U.S. born, raised and slaughtered, particularly with the USDA FSIS seal being present and (or) when a USDA lamb grade mark appears.

According to USDA/ERS retail price data that was released in January 2003, there was, on average, a significant price advantage to American lamb. During the period of investigation in the Section 201 lamb meat injury case, the U.S. International Trade Commission (USITC) found that imported lamb from Australia and New Zealand undersold domestic product in **79 percent of the comparisons** with underselling margins **averaging between 20 to 40** percent including some as high as **72 percent!!!**. Using ERS retail data, the two-year combined volume-weighted average price of domestic lamb was \$4.30 per pound. For imported lamb it was \$3.90 a pound therefore, there was a \$.40 per pound differential between domestic and imported product.

In a paper entitled “**Country-of-Origin Labeling of Beef Products: U.S. Consumers’ Perceptions**” presented in Washington D.C. at the 2003 FAMPS Conference “*Emerging Roles for Food Labels: Inform, Protect, Persuade*”, Umberger *et al* noted the following: “Seventy-five percent of the consumers preferred to purchase a beef product with COOL. The survey results indicate that the majority of consumers (73%) were willing to pay an 11% and 24% premium for COOL of steak and hamburger, respectively... The most commonly cited reasons by consumers for preferring COOL were: food safety concerns about imported beef, a preference for labeling source and origin information, a strong desire to support U.S. producers, and beliefs that U.S. beef was of higher quality. In addition to the survey, consumers participated in an auction and bid on two steaks, one steak was labeled as “Guaranteed USA: Born and Raised in the United States” and the other steak carried no label. ***On average, consumers were willing to pay a 19% premium for the “Guaranteed USA” steak***

The Agency asks for information concerning the benefits and costs of implementing a country of origin labeling program. As discussed later, we believe that there are auditable record keeping systems currently in place to the retail level to minimize implementation costs. The domestic: imported price differential cited above shows a measure of benefit. Without a clear country of origin designation, we have no measure of the quantity of imported lamb that is actually sold at retail as American.

In general however, if the \$.40 per pound differential from the ERS data were applied to the approximate number of total pounds of domestic product sold during 2002 (if it were all sold through retail channels), this differential would translate into about \$40 million annually. If the percentages reported by the USITC are still generally accurate, this \$40 million annual differential could easily be doubled.

The country of origin labeling requirement as listed in these guidelines should insure that domestic and imported lamb are in fact labeled correctly at retail to differentiate between domestic and imported products. Labeling as proposed would therefore allow American lamb to capture a larger share of the higher retail price versus the product blending or nebulous labeling practices that exist today in many situations.

Labeling Country of Origin for Products Produced Exclusively in the United States:

The Guidelines state that “covered commodities” for lamb “...must be derived exclusively from animals born, raised, and slaughtered in the United States.” We agree with the agency on this label requirement. In fact the American Sheep Industry (of which the WWGA is a member), through the American Lamb Council, recently acquired a trademark on a “Fresh American Lamb” seal that is being licensed for use on lamb products that are specified to meet those criteria.

Labeling Country of Origin for Imported Products (i.e., Produced Entirely Outside of the United States)

We agree with the agency’s guidelines for labeling these products. We have been aware of current Federal laws requiring food items to bear labels informing the “ultimate purchaser” of their country of origin. However, we have been disappointed that the spirit of these laws and their intention has not, here to fore, been applied. This is a good example of why mandatory COOL is warranted; i.e., if previous laws had been interpreted properly, there would have been no need for additional legislation. We are in full agreement that when an imported lamb carcass is fabricated into cuts in the United States, the resulting cuts should have to maintain their country of origin identity to their final point of sale as is cited in the example of a lamb loin derived from an imported carcass in the guidelines.

Verification and Enforcement of Country of Origin Labeling Claims Under the Voluntary and Mandatory Programs

We recognize that verification systems and programs as well as enforcement of country or origin claims may be more or less difficult depending on the nature of the industry affected, products involved, etc. The U.S. sheep industry is likely unique in that over 99 percent of lambs slaughtered in the U.S. are born and raised in the U.S.

Live sheep imports from Canada to the U.S. range from 30 to 80 thousand head annually. While it is not the responsibility of AMS, according to this proposed rule, to mandate specific audit systems for tracking these animals, it is incomprehensible to American sheep producers that the focus of the record keeping requirements would focus on the 3 million U.S. born, raised and slaughtered lambs rather than focusing on tracking the one to three percent of U.S. slaughter representing Canadian lambs that are imported by a handful of individuals or firms.

Due to record keeping requirements for assessments and remittances for the Lamb Promotion Research and Information (check-off) order, a current audit trail exists for country of origin of domestic sheep. The law precludes collection of the checkoff on the pounds of live lamb imported so feeders are documenting the purchases to avoid collection of the checkoff at slaughter. In addition, nearly all producers and feeders and a number of processors handle strictly American sheep. Further, it is now required by USDA/APHIS that all adult and breeding sheep must carry a U.S. flock identification in order to be moved interstate. Therefore we urge the agency to focus verification efforts on the systems to track the imported live sheep and lambs that make up a very small percent of the total number through processing.

Nearly all lamb-processing firms have segregation plans and audit trails provided for AMS product procurement program. Therefore, companies that handle live lambs from

Canada, or imported lamb from Australia or New Zealand already have plans for segregating product so it is not included in the sale to AMS.

The Guidelines (3. Record keeping)

With regard to section B, we believe that compliance with “auditable records documenting the origin of covered commodities” should be achieved for sheep or lamb through the maintenance of purchases and sales receipts as documentation for the two-year period specified.

General comments and summary:

The WWGA strongly supports the mandatory country of origin labeling law as passed by Congress in 2002. Mandatory COOL will give both consumers and producers market power at the retail counter. Producers will be able to focus their ongoing promotional investment toward their own products, not their foreign competitor's. It will give consumers the power to determine under what conditions they want the livestock from which the meat that they purchase is derived from are handled and from which country they want such meat to originate."

The WWGA supports the approach that USDA/AMS has taken in constructing the voluntary guidelines. We believe that their use and the implementation of mandatory COOL will add value to domestic lamb and provide this same opportunity for foreign lamb products through more information and accurate information to consumers.

The domestic lamb industry has at its disposal a trade marked seal that can serve to purpose of identifying lamb products that are born, raised and slaughtered in the United States. We appreciate the agency's position in the guidelines that the word "Processed" is a valid substitute for the word "Slaughtered" for purposes of the definition for meat products.

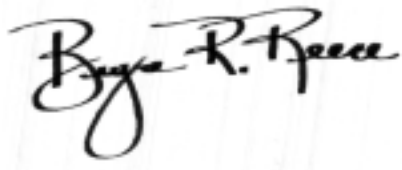
We believe that the costs to the industry that are associated with implementing these guidelines either on a voluntary or mandatory basis will be minimal especially considering: a) the value differential between domestic and imported lamb and the potential improvement in this differential through mandatory COOL; b) the fact that very few sheep are imported into the U.S.; c) sheep products imported into the U.S. are from a limited number of countries and the vast majority directly from Australia and New Zealand; d). As stated earlier, only about one to three percent of animals that are slaughtered in the United States are imported and imported lamb comes directly from the importing countries rather than entering the United States during the production process. Therefore, lamb or mutton products of mixed origin are extremely rare and should not be a major concern for record keeping compliance or labeling of sheep products.

Finally, given the fact that we believe any costs of compliance with implementing these guidelines as we understand them will be minimal, the producers which we represent believe that such minimal costs will be recouped many times over through the market place from consumers willing to pay a premium for products which can be certified to be "born, raised and processed" in the United States.

Thank you for the opportunity to comment.

April 04, 2003

Sincerely,

A handwritten signature in black ink, reading "Bryce R. Reece". The signature is written in a cursive style with a large, stylized initial "B".

Bryce R. Reece
Executive Director

cc: WWGA Executive Board